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Letter dated 7 February 2004 from the Chairman of the Security Council Committee established pursuant to resolution 1373 (2001) concerning counter-terrorism addressed to the President of the Security Council

I write with reference to my letter of 3 November 2003 (S/2003/1062). The Counter-Terrorism Committee has received the attached fourth report from the Republic of Korea submitted pursuant to paragraph 6 of resolution 1373 (2001) (see annex). I would be grateful if you could arrange for the present letter and its annex to be circulated as a document of the Security Council.

(*Signed*) Inocencio F. **Arias**
Chairman
Security Council Committee established pursuant to
resolution 1373 (2001) concerning counter-terrorism

04-24757 (E) 230304

Annex

Letter dated 4 February 2004 from the Permanent Representative of the Republic of Korea to the United Nations addressed to the Chairman of the Counter-Terrorism Committee

With reference to your letter, dated 22 October 2003, requesting further information on the implementation of Security Council resolution 1373 (2001), I have the honour to enclose herewith a further supplementary report from the Government of the Republic of Korea (see enclosure).

(*Signed*) **Kim** Sam-hoon
Permanent Representative

Enclosure

Supplementary Report by the Republic of Korea to the Counter-Terrorism Committee pursuant to the Security Council Resolution 1373 (2001)

I. Implementation measures

1.1 Paragraph 1 of the Resolution decides that States shall prevent and suppress the financing of terrorist acts. Paragraph 2 of the Resolution decides that States shall ensure that any person who participates in the financing, planning, preparation, or perpetration of terrorist acts... is brought to justice. The CTC is pleased to note the comprehensive measures outlined in the draft Anti-Terrorism Bill, enumerated on pages 3 and 4 of its third report, and looks forward to receiving a copy of the draft bill as noted at page 4 of the same report.

The draft Anti-Terrorism Bill was approved by the Intelligence Committee of the National Assembly in December 2003. The Bill currently remains in the Justice Committee. We expect the National Assembly will soon review and approve the bill. The full text will be submitted to the CTC as soon as the draft is finally approved.

1.2 Sub-paragraph 1 (a) decides that States shall prevent and suppress the financing of terrorist acts. The CTC is pleased to note, relative to paragraph 1.5 on page 5 of its third report, that the Republic of Korea has reporting mechanisms in place for suspicious transactions, structuring of financial transactions and investigative response mechanisms. In this regard, the CTC would be pleased to know if the Republic of Korea has already or intends to put in place cash or negotiable instrument reporting requirements for domestic financial institutions.

At present, in accordance with the Financial Transaction Reports Act, domestic financial institutions have an obligation to report suspicious transactions only. The Korean Financial Intelligence Unit (KoFIU) plans to introduce a reporting system for significant cash transactions starting from 2004, under which financial institutions shall be required to report transactions of cash and cashier's checks exceeding a certain threshold, whether they are suspicious or not.

1.3 The CTC, in regard to sub-paragraph 1 (a), is pleased to note that the Republic of Korea outlawed alternative payment systems or informal value systems such as "hawala". The CTC would be pleased to know the measures which the Republic of Korea has taken to ensure alternative payment systems are no longer functioning within its borders as a method of financing terrorism.

Article 66 of the Banking Act stipulates that any person who performs remittance services without obtaining governmental authorization shall be punished by imprisonment for not more than five years or by a fine of not more than two hundred million won.

In accordance with paragraph 2 of Article 5 of the Punishment of Violence, etc. Act, any person who contributes any funds for terrorist acts shall be punished by imprisonment for a definite term of not less than three years.

In particular, Article 8 and 12 of the Proceeds of Crime Act stipulate that any funds related to terrorist acts shall be seized and/or frozen.

1.4 For the effective implementation of sub-paragraph 1 (a), without disclosing any sensitive information, has the Republic of Korea developed any special strategy or investigative tools to enable various agencies such as the Police, the Customs, the Anti-Money Laundering Department, as well as the Central Bank to effectively prevent resources from being transferred to terrorists other than those mentioned in your preceding reports? (For example, tools to detect the following types of money laundering: trade based, real estate, over and under invoicing of imports and exports, alternative remittance systems, such as Hawala, etc.)

Beginning July 2003, KoFIU has updated its existing electronic analysis system (called KoFIS) with an aim to improving detection of terrorist financing. Once the lists of terrorists are in the system, the "alert function" of KoFIS, which is connected to the database of foreign exchange trades and suspicious transactions, automatically works to expose terrorist financing.

1.5 The CTC would be grateful if the Republic of Korea would supply information relating to the matters, set out immediately below, for the period 1 January 2001 until the present:

a) The number of arrests of terrorists or their supporters;

b) The value of funds and assets frozen in relation to individuals and entities identified as terrorists or terrorist organizations;

c) Brief examples of successful terrorism and terrorist financing investigations/prosecutions that could be made public.

We don't have any information to share in this regard.

1.6 Sub-paragraph 2 (b) decides that States shall take the necessary steps to prevent terrorist acts. Sub-paragraph 3 (d) calls upon States to become parties as soon as possible to the relevant international conventions and protocols relating to terrorism. The CTC is encouraged by the Republic of Korea's enthusiasm in ratifying or acceding to all of the International Instruments related to the Prevention and Suppression of Terrorism. The CTC would be pleased to receive an outline of the Act on the Punishment of Terrorist Bombing and the Financing of Terrorism when the draft bill is submitted to the National Assembly, as mentioned in paragraph 1.17, at page 11 of the third report.

The Government of the Republic of Korea is still in the process of enacting the Act on the Punishment of Terrorist Bombing and the Financing of the Terrorism. The Korean government plans to submit the draft Act to the National Assembly as soon as the two related International Conventions, the International Convention for the Suppression of Terrorist Bombing and the Convention for Suppression of the Financing of Terrorism, are ratified by the National Assembly.

Even though the draft Act has not yet been presented to the National Assembly, terrorist acts, including terrorist bombing or financing, could be properly punished through existing legal instruments such as the "Criminal Code", "Punishment of Violence, etc. Act", and "Proceeds of Crime Act."

1.7 With reference to sub-paragraph 2 (e) of the Resolution, States are required to ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts is brought to justice. Could the Republic of Korea, without disclosing sensitive information, provide the CTC with an outline of its laws relating to cyber-crimes as well as an outline of the provisions that prevent terrorists from misusing the Internet?

In order to prevent cyber-crimes and malicious use of the Internet by terrorists, the Republic of Korea has enacted and enforced a number of acts, including the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc., and the Information and Communication Infrastructure Protection Act.

First, as to hacking, in cases of infiltrating the information and communication system without any justifiable right to access or beyond a permitted right to access, a person is subject to imprisonment for not more than 3 years or a fine not exceeding 30 million won (Paragraph 1 of Article 48 and Item 1 of Article 63 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.).

Also, as to the distribution of computer viruses and denial of service attacks, in cases of transmission or distribution of programs that can damage, disrupt, alter, or forge information and communications systems, data, programs, etc. or hinder their operation, or in cases of causing trouble to the information and communication system by sending a large volume of signals or data, having unlawful commands processed, or any other computer programming solely in order to hinder the stable operation of the information and communication systems, a person is subject to imprisonment for not more than 5 years or a fine not exceeding 50 million won (Paragraph 2 and 3 of Article 48 and Items 4 and 5 of Article 62 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.).

Further, in cases of damage to the information of another person that is processed, stored or transmitted through the information and communication system, or in case of infringement, stealing or release of private information, a person is subject to imprisonment for not more

than 5 years or a fine not exceeding 50 million won (Article 49 and Item 4 of Article 62 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.).

If the representative of a corporation, or the agent, the user, or the employee of a corporation or an individual violates the law in connection with the business of such corporation or the individual, the corporation or the individual may also be punished by a fine described in the relevant articles in addition to the punishment of the actor (Article 66 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.).

In the meantime, information and communication systems specially protected by the country, such as electronic control and management systems related to the areas of national security, administration, national defense, public peace and order, finance, communication, transportation, energy, etc., are designated and protected by the country as critical information and communication infrastructure facilities. And if such a critical information and communication infrastructure facility is the target of hacking, distribution of computer viruses, denial of service attacks, etc., a person is subject to imprisonment for not more than 10 years or a fine not exceeding 100 million won (Articles 12 and 28 of the Information and Communication Infrastructure Protection Act).

Within the next year, the Republic of Korea is planning to introduce an information security audit system for information service providers to enhance the protection of the information system and the Internet against cyber attacks by terrorists.

1.8 The CTC would be grateful for an outline of any specific training, without disclosing any sensitive information, that the Republic of Korea may have developed for its administrative, investigative, prosecutorial and judicial authorities that may cover the following topics:

a) The typologies and trends in terrorist financing methods and techniques;

b) Techniques for the tracing of assets, which represents the proceeds of crime or have been used to finance terrorism, with a view to ensuring that such property is frozen, seized or confiscated; and

c) Anti-terrorism operations.

No specific training exists within the administrative, investigative, prosecutorial and judicial authorities to cover these topics.

1.9 Sub-paragraph 2 (g) requires effective border controls and sub-paragraph 2 (e) requires States to ensure that any person who participates in the financing, planning, and perpetration of terrorists acts is brought to justice. Could the Republic of Korea provide and outline of how it processes imports and exports and what steps it takes to target for inspection or interdiction high right cargo

that may aid in the commission of terrorist acts or in the financing of them? In regard to illegal outbound movements of currency, negotiable instruments, gold and other high value materials that may provide financial support to terrorist groups, have any coordinated multi-agency law enforcement operations being undertaken to carry out these interdictions? Without compromising any sensitive information, could the Republic of Korea provide examples of any such successful operations?

- **Smuggled diamonds are regarded as high-risk cargo that may aid terrorist financing. Therefore, imports and exports of diamonds necessitate a Kimberly Process Certificate that shows the identity of the importer or exporter and the schedule of shipment.**

  Imports and exports of diamonds are to be processed by comparing and verifying the actual goods with the Kimberly Process Certificate issued by the exporting country.

- **Any firearm or gunpowder with high possibility of being used for terrorist purposes shall be imported or exported only after the permission by the Head of the National/Local Police Agency in accordance with paragraph 1 and 2 of Article 9 of the Act on the Regulation of Firearms, Swords, and Gunpowder.**

  On the basis of the Customs Law, firearms and gunpowder are specified as goods to be declared by the Head of the Customs Office, and shall not clear customs without a trade declaration by the Head of the National/Local Police Agency.

  In order to suppress illegal transactions of firearms or gunpowder, trade permission is restricted to the manufacturers, salespersons, and national or local autonomous entities that are unlikely to be hazardous to public security.

  Those for military use (as permitted by the Ministry of National Defense) are exceptions according to paragraph 3 of the Act on the Regulation of Firearms, Swords, and Gunpowder.

- **In order to combat money laundering and terrorist financing, KoFIU biannually holds a meeting of "the policy consultation committee." High-ranking officials from various authorities, such as the Public Prosecutors' Office, the National Police Agency, the National Tax Service, the Korea Customs Office, and the Financial Supervisory Commission, attend this meeting.**

  - **KoFIU also holds a quarterly consultation meeting of working-level officers from law enforcement agencies.**

1.10 Sub-paragraph 2 (g) of the Resolution, decides that States shall prevent the movement of terrorists or terrorist groups by effective border controls. The CTC would be pleased to know what procedures or equipment the Republic of Korea has in place at its borders to identify fraudulent or counterfeit passports. The CTC is encouraged by the Republic of Korea's new passport system, referred to at paragraph 1.14 on page 9 of the third report. Could the Republic of Korea inform the CTC as to the measures it has in place or plans to put in place to ensure that its visas are not being fraudulently issued, thereby creating an opening for terrorist abuse?

Beginning April 2004, the Korean government will adopt passport issuance system of a photo-transcription process to prevent fraudulent acts of replacing photographs. We are also utilizing sticker type visas in order to clamp down on visa forgery.

1.11 The CTC was pleased to note, as cited at paragraph 1.13 on page 9 of the Republic of Korea's third report, that it uses automated systems to disseminate terrorist watch lists to border locations. The CTC would be pleased to know what procedures exist to compare these terrorist lists with other databases, such as customs importers and exporters, drivers' licenses and vehicle registrations and other automated systems with a view to identifying known or suspected terrorists.

No such procedure to compare the terrorist watch lists with other databases exists at present.

1.12 In regard to sub-paragraph 2 (g) of the Resolution, the CTC would be grateful for an outline of any procedures that the Republic of Korea has established for supplying advance information concerning international cargo and passenger information to its relevant authorities and to those of other States to enable them to screen for prohibited cargo and suspected terrorists before unloading or disembarkation.

We have not yet established a specific system to supply advance information concerning suspicious international cargos and passengers to other countries.

1.13 Could the Republic of Korea, in regard to sub-paragraph 2 (g) of the Resolution, please provide the CTC with an outline of the legislative provisions regarding the granting of citizenship and other civic rights in the Republic of Korea? Can a foreigner, who is granted citizenship or other civic rights in the Republic of Korea, change his or her name? What precautions are taken to establish the true identity of a person before new identity papers are issued? Additionally, what measures are in place to prevent marriages of convenience between foreigners and citizens of the Republic of Korea, as well as the use of fraudulent marriage documents to obtain citizenship?

- *Main elements of provisions granting the citizenship of the Republic of Korea*

  - **Naturalization**

    The term naturalization shall mean the procedure through which a foreigner may acquire the nationality of the Republic of Korea by the permission of the Minister of Justice.

    Any person who wants to naturalize shall first meet the requirements as prescribed by the Nationality Act, then file an application to the Minister of Justice. Only after the permission does he become a national of the Republic of Korea.

    In order to acquire the permission of naturalization, a foreigner shall meet following requirements.

    - **(1) A person shall have sustained domicile in the Republic of Korea for five or more years consecutively; (2) a person shall be of majority (over 20-year-old) pursuant to the Civil Act of the Republic of Korea; (3) a person shall be of good conduct; (4) a person shall be able to sustain livelihood with his property, ability or family who lives together; and (5) a person shall have basic knowledge as a national of the Republic of Korea, such as Korean language ability and understanding about Korean custom.**

    Where an applicant of naturalization has special connection with the Republic of Korea by blood or band, in such cases as: a parent was a national of the Republic of Korea; either father, mother, or spouse is currently a national of the Republic of Korea; or the applicant has been born in the Republic of Korea, he may obtain the permission without much regard to the requirements (Article 6 and 7 of the Nationality Act).

  - **Reinstatement of Nationality**

    A foreigner who once was a national of the Republic of Korea may acquire the nationality of the Republic of Korea through obtaining permission of reinstatement of nationality by the Minister of Justice. The Minister of Justice shall not issue permission of reinstatement of nationality to any person (1) who has inflicted any harm to the State and society; (2) who is of bad conduct; (3) who has forfeited or abandoned the nationality of the Republic of Korea for the purpose of evading military service; and (4) whom the Minister of Justice regards as inappropriate to be permitted for the sake of national security, stability, or public welfare (Paragraph 1 and 2 of Article 9 of the Nationality Act).

- *As to changing the name of the foreigner who has been naturalized*

A foreigner shall use the name reported in the passport when applying for the permission of naturalization. After the acquisition of the permission, a naturalized citizen shall use the same name as in the passport to register to his family register.

Where a naturalized citizen feels it will be inconvenient living with his foreign name, he may apply to the Court of Family Affairs to change his name. Only when the court acknowledges the inconvenience may the applicant change his name (Article 113 of the Family Registration Act).

- *Measures to determine whether an applicant is confirmed to meet the requirements as prescribed by the Nationality Act before issuing new identification certifications*

When a foreigner files an application for naturalization permission, the Minister of Justice may request necessary information regarding the applicant from the relevant agency, for example, the applicant's personal background and criminal history can be reported by the Police Agency, and the applicant's situation during his stay in Korea by the Immigration Bureau (Paragraph 1 of Article 4 of the Nationality Enforcement Ordinance).

Based on the investigation described above, the Minister of Justice shall permit naturalization or reinstatement of nationality (Paragraph 3 of Article 4 of the Nationality Enforcement Ordinance).

A permitted applicant of naturalization may not receive a new identification card unless he renounces his original nationality.

- *Measures to prevent improper marriage relationship for the purpose of the acquisition of nationality*

Under the Nationality Act, a foreigner whose spouse is a national of the Republic of Korea shall submit an application for naturalization to the Minister of Justice only when he has resided in the Republic of Korea for not less than two years consecutively under the state of marriage with a spouse or when three years have lapsed after marriage with at least one year of residence in the Republic of Korea during that marriage (Paragraph 2 of Article 6 of the Nationality Act).

Where a foreigner whose spouse is a national of the Republic of Korea files an application for naturalization, the Minister of Justice shall first determine whether the marriage relationship is proper through the investigation of the applicant's personal background, criminal history and current situation during his stay in Korea (Paragraph 2 of Article 4 of the Nationality Act). Where the marriage relationship is proved improper by the naturalization-screening test, the applicant shall not be permitted of naturalization.

1.14 The CTC would be pleased to know if the Republic of Korea could explain what procedures, other than those previously mentioned, it has in place to protect its identity documents, for example: birth certificates, marriage certificates, drivers' licenses and vehicles registrations etc. to ensure against theft, fraudulent issuance or other abuses, which may support terrorist activity.

Since forgery of the resident cards and the use of such cards have caused spill-over crimes, the National Police Agency has jurisdiction over crimes related to the forgery of the resident cards and crimes using forged resident cards (i.e. real estate fraud, illegal loans, and illegal issuance of visas).

1.15 As noted at page 13 of the second report, sub-paragraph 2 (a) decides that States shall take measures to eliminate the supply of weapons to terrorists. In that context, the CTC is pleased to see that the Republic of Korea has in place a regulatory and enforcement system to ensure that hazardous or toxic chemical, biological, and radiological materials and their waste products do not fall into the hands of terrorists. In that regard and without compromising sensitive information, could the Republic of Korea, inform the CTC of any programs, special procedures or personnel it has in place with a view to providing the appropriate safety and law enforcement responses in the event that such illegally diverted material is detected? If such an eventuality happened, the CTC would be pleased to know what procedures there are to notify other States. If the Republic of Korea does have such capabilities, would the Republic of Korea be able or willing to assist other countries to prepare for such eventualities?

- ***Control of hazardous materials and waste***

According to the 'Hazardous Chemicals Management Act', chemicals are classified into 4 specified poisonous substances, 55 restricted substances, and 542 poisonous substances for different managements.

- **The Minister of Environment may prohibit or restrict manufacturing and import or use of Specified Poisonous Substances which are likely to inflict especially serious danger or injury to human health or the environment.**
- **A person who desires to import poisonous substances shall report to the Minister of Environment the exact items and the quantity of the materials.**
- **The operator of a business dealing in poisonous substances should keep track of the level of their daily production and circulation, and maintain solid lock systems to prevent potential robbery of toxic substances.**

According to the Act on the Control of Trans-boundary Movement of Hazardous Wastes and Their Disposal;

- **Trade in hazardous wastes requires authorization beforehand, and the import/export of waste that could inflict significant danger to humans or the environment is strictly prohibited.**
- **The authorities concerned may order importers and exporters in violation of the above to transport the wastes within a fixed period of time.**

- ***Control of radioactive materials and waste***

The Republic of Korea has a radioactive isotope (RI) inventory management system to prevent the occurrence of lost, stolen or orphan sources which can be misused by terrorists. The government issues restrictions regarding practices involving radioactive materials, including receipt, possession, import, export, use, transfer and disposal.

Based on article 65 of the Atomic Energy Act, sealed and unsealed radioactive isotopes and radiation generators managed by the licensees are authorized. Also the licensee should periodically report on their receipt, possession, import, export, use, transfer, and disposal of RI materials, etc. (Article 105 of Atomic Energy Act and Article 125 of Enforcement Regulation of the Atomic Energy Act). Management status of sealed RI sources, unsealed RI sources and radiation generators should be reported quarterly and sales report of unsealed RI sources and radiation generators should be reported monthly. The Cyber Radioactive Isotope Safety Information Center at Korea Institute of Nuclear Safety (KINS) supports the reporting process based on article 12, Notice of Minister of Science and Technology 2002-03. Article 99-2 of the Atomic Energy Act limits possession, transfer and acquisition of RI sources. Those limits include importer restrictions (only by members of the Korea Radioactive Isotope Association), custom's clearance on import, etc. Also, based on article 67 of the Atomic Energy Act, licensees must have facility inspection before operation and periodic inspections after operation commences.

The Cyber Radioactive Isotope Safety Information System enables detailed tracking of individual RI sources. The modules of the systems are 1) Licensee Safety Management System with RI source management for the licensee, 2) Radiation Safety Regulation System of the licensee, 3) Cyber Information System, and 4) RI Source Tracking System (which is used for the regulator's RI source management.)

Where the RI materials are lost or stolen, the licensee shall report it to the Minister of Science and Technology without delay (Article 102 of the Atomic Energy Act). Also, whoever finds RI materials or RI suspected materials, or discovers a fire or accident of a vehicle (or ship) carrying RI materials, shall immediately report it to the Minister of Science and Technology, local government, fire department, police or the nearest site military authority (Article 22 of the Law for Physical Protection and Radiological Emergency).

In those cases, the licensee should perform all safety measures in cooperation with concerned organizations (police, fire department, etc.). A task force team dispatched from the KINS will provide technical advice to secure, recover and dispose the RI materials at a designated disposal site.

Based on the Convention on Early Notification of a Nuclear Accident, in the event of an accident for the following cases, the Republic of Korea will forthwith notify, directly or through the International Atomic Energy Agency (IAEA), those States which are or may be physically affected and the agencies in charge of the nuclear accident of its nature the time of its occurrence and its exact location where appropriate.

- **any nuclear reactor wherever located**
- **any nuclear fuel cycle facility**
- **any radioactive waste management facility**
- **the transport and storage of nuclear fuels or radioactive wastes**
- **the manufacture, use, storage, disposal and transport of radioisotopes for agricultural, industrial, medical and related scientific and research purposes**
- **the use of radioisotopes for power generation in space objects**

Also, the Republic of Korea will promptly provide those States which are or may be physically affected and the agencies in charge of the nuclear accident, directly or through the IAEA, with such available information relevant to minimizing the radiological consequences for those States. Currently, the National Competent Authority (NCA) for the convention is the Ministry of Science and Technology (MOST) and National Warning Point (NWP) is the KINS.

To assist other countries tracking orphan sources or dealing with radiological terror attacks, equipment, manpower or monetary support should be given. Currently, MOST has only the essential equipment to prepare for domestic radiological events.

However, if the situation is severe or significant, the Republic of Korea will do its best to assist other countries. Also, we will try to establish the capability to better support other countries.

1.16 The CTC is aware that the Republic of Korea may have covered some or all of the points in the preceding paragraphs in reports or questionnaires submitted to other organizations involved in monitoring international standards. The CTC would be content to receive a copy of any such report or questionnaire as part of the Republic of Korea's response to these matters as well as details of any efforts to implement international best practices, codes and standards which are relevant to the implementation of resolution 1373.

No specific information exists to cover those topics.

II. Assistance and guidance

2.2 The CTC is pleased to note that the Government of the Republic of Korea, at page 11 of its third report, shares the sense of urgency and necessity for the provision of assistance in the field of counter-terrorism to those countries in need and supports the facilitating role of the CTC. The Republic of Korea has indicated that it was interested in sharing its counter-terrorism experiences with other countries. The CTC therefore would appreciate it if the Republic of Korea would consider becoming an assistance donor in relation to the implementation of the Resolution. The assistance required by the States is posted on the CTC's Directory of Assistance (www.un.org/sc/ctc). Furthermore, the CTC would encourage the Government of the Republic of Korea to inform the CTC of any assistance it is currently providing to other States in connection with the implementation of the Resolution.

At present, the Korean government does not provide any assistance to other countries in connection with the implementation of the Resolution. The Korean government will consider positively the Committee's suggestion to become an assistance donor.

2.4 At this stage of its work, the CTC will focus on requests for assistance that relate to 'Stage A and B' matters. However, the assistance to be provided by one State to another on any aspect of the implementation of the Resolution is a matter for agreement between them. The CTC would be grateful to be kept informed of any such arrangements and their outcome.

No specific bilateral agreement exists at present.

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Letter dated 7 February 2004 from the Chairman of the Security Council Committee established pursuant to resolution 1373 (2001) concerning counter-terrorism addressed to the President of the Security Council

I write with reference to my letter of 2 December 2003 (S/2003/1155). The Counter-Terrorism Committee has received the attached fourth report from Croatia submitted pursuant to paragraph 6 of resolution 1373 (2001) (see annex). I would be grateful if you could arrange for the present letter and its annex to be circulated as a document of the Security Council.

(*Signed*) Inocencio F. **Arias**
Chairman
Security Council Committee established pursuant to
resolution 1373 (2001) concerning counter-terrorism

04-24763 (E) 260304

Annex

Letter dated 3 February 2004 from the Permanent Representative of Croatia to the United Nations addressed to the Chairman of the Counter-Terrorism Committee

With reference to your letter dated 21 November 2003, I have the honour to transmit herewith the fourth report of the Government of the Republic of Croatia to the Committee, prepared pursuant to paragraph 6 of Security Council resolution 1373 (2001) (see enclosure).

(*Signed*) Vladimir **Drobnjak**
Permanent Representative

Enclosure

FOURTH REPORT OF THE REPUBLIC OF CROATIA ON THE NATIONAL IMPLEMENTATION OF RESOLUTION 1373 (2001) ON THE SUPPRESSION OF TERRORISM

1.1. Paragraph 1 of the Resolution requests States to suppress the financing of terrorist acts. Sub-paragraph 3(d) of the Resolution calls on States to become parties to the relevant international conventions and protocols relating to the prevention and suppression of terrorism. In that context, the CTC is pleased to note, from page 4 of Croatia's third report, that Croatia is introducing legislation to implement the UN Convention for the Suppression of the Financing of Terrorism. The CTC would be pleased to receive a progress report on the enactment of this legislation, in particular as regards the implementation of Articles 2, 15 and 18 of the said Convention.

The Croatian Parliament adopted the Law on the ratification of the International Convention on the Suppression of the Financing of Terrorism, which entered into force on 17 October 2003. Under Article 140 of the Constitution of Croatia, international treaties once ratified and published pursuant to the Constitution, become an integral part of Croatia's internal legal order, and have legal force superior to internal laws.

It should be noted though that even before Croatia ratified it, the provisions of this UN Convention had been implemented through Croatian internal legislation. Therefore, no further changes need to be introduced in order to amend existing laws. The relevant Articles 2, 15 and 18 of the said Convention are fully implemented through the Criminal Code, the Law on Criminal Procedure, the Anti-Money Laundering Law (whose amendments entered into force on 1 January 2004) and the Regulation on implementing the Anti-Money Laundering Law.

1.2. Sub-paragraph 1(a) of the Resolution requires States to prevent and suppress the financing of terrorist acts. In that regard, the CTC is encouraged to see that Croatia mentions, at page 5 of its second report (and attached as Annex 1), that it is proposing to amend the Foreign Exchange Act. The CTC would be grateful for a progress report on the enactment of these amendments.

The Croatian Parliament adopted on 29 May 2003 a new Foreign Exchange Act (Official Gazette No. 96/03) which entered into force on 18 June 2003.[1]

The following amendments have been adopted:

- more specific **identification** of the actual **owner or beneficial owner** both for residents and non-residents, has been determined;

[1] The english version of the Foreign Exchange Act is available on http://www.hnb.hr/propisi/ezakoni.htm

- banks are obligated to **keep documentation** of a bank account owner for **at least five years** from the date of closing the account;

- special attention shall be paid to cases, which include **confiscation of unreported assets** during criminal investigation.

On the basis of this Act in July and September 2003 eighteen sub-Acts (Decisions) have been adopted by the competent agencies:

-- Decision on the Manner and Deadlines of Supplying Information about the Foreign Currency Market (pursuant to Art. 45, para 2 of the Act, OG 111/03);

-- Decision on the Terms and Conditions for the Operation of Authorized Exchange Offices (Art. 46, para 3 of the Act, OG 111/03);

-- Instruction for the Implementation of the Decision on the Terms and Conditions for the Operation of Authorized Exchange Offices (OG 115/03, 152/03);

-- Decision on the Terms and Conditions for Opening and Managing Non-resident Bank Accounts (Art. 30, paras 4 and 5 of the Act, OG 111/03, 138/03);

-- Decision on the Terms and Conditions under which Residents in Dealings with Non-residents may receive or make payments in cash in kunas, foreign currency and checks (Art. 34 of the Act OG 146/03);

-- Decision on the Terms for Issuing Permissions for Personal Transfers of Assets Abroad as Assistance or Donation (Art. 14 para 3 of the Act, OG 111/03, 149/03);

-- Decision on Bringing in /out Cash, Checks and Materialised Securities (Art 36 and Art 38 of the Act, OG111/03);

-- Decision on the Manner and Deadlines for Submitting Reports about the State of Short-Term Receivables and Liabilities in Foreign Currency (Art 49 and Art 54 of the Act OG 111/03);

-- Decision on the National Payments and Collection in Foreign Currency (Art. 15 of the Act OG 146/03);

-- Decision on the Terms and Conditions under which Residents Invest Securities and Interests in Investment Funds (Art. 22, Art. 25 and Art 27 of the Act, OG 146/03);

-- Decision on the Requirements for Issuing Permission for Opening a Foreign Currency Account Abroad (Art, 29 of the Act, OG111/03);

-- Decision on Terms and Conditions for Payment Transactions with Foreign Countries (applicable until 01.01.2005, passed pursuant to Art 32 of the Act, OG 146/03);

-- Decision on the Terms and Conditions under which Non-Residents Invest Domestic Securities and Interests in Domestic Investment Funds (Art. 24, Art. 25 and Art 27 of the Act, OG 146/03);

-- Decision on the Terms under which Non-Residents Issue Short-Term Securities in the Republic of Croatia (Art 25 of the Act, OG 146/03);

-- Decision on the Collection of Data for Preparing the Payment Balance with regard to the Foreign Debt and International Investments (Art 51, Art 52, Art 53 and Art 54 of the Act, OG 150/03);

-- Order on Keeping the Control Book for the Current and Capital Transactions with Foreign Countries (Art 50 of the Act, OG 145/03);

-- Decision on the Cessation of the Instruction on the Manner and Procedure for Preparing Reports on the State of Claims from Foreign Countries (OG 156/03).

English versions of these Decisions are available on: www.hnb.hr (link: Regulations-Decisions-Decisions related to Central Banking Operations).

According to the amended Anti-Money Laundering Law, which entered into force on 1 January 2004, and the Regulation on implementing the Anti-Money Laundering Law, the conduct of the reporting institution (financial or non-financial) during beneficial ownership identification is prescribed, whilst opening all kinds of accounts and/or concluding long-term arrangements with financial institutions. The beneficial owner must submit a written statement under criminal and material liability, containing data on natural persons, ownership, as well as on members of the management board. This statement must be submitted regularly, if any change in the ownership occurs or if the financial institution has any doubts about it. If the financial institution has not got such statement, the financial institution and its authorized persons shall be charged with a pecuniary penalty.

1.3. Could Croatia outline the rules which it applies to identify persons or entities, which maintain an account with a bank; or on whose behalf an account is maintained (i.e. beneficial owners); or who are the beneficiaries of transactions conducted by professional intermediaries. Are there any identification obligations linked to customer, who operate a trust, to obtain information about the trustees, settlers/grantors and beneficiaries?

In accordance with Articles 16 and 30 of the Foreign Exchange Act, banks are obliged to identify the identity of a resident or non-resident who maintains an account with a bank.

The procedure is described in the Decision on the Procedure for Opening and Tracking of Foreign Currency Bank Accounts and Foreign Currency Bank Savings by Residents (Official Gazette No 111/03) and the Decision on Conditions for Opening and Tracking of Bank Accounts by Non-residents (Official Gazette No 111/03), as follows:

Natural Persons:

Banks are obliged to determine the identity of a natural person by checking their his/her photo identification papers (identification card, passport or other public identification), where the person's first name, surname, address of permanent or non-permanent residence, date of birth, the number of the ID and the agency which issued the said identification papers are evident.

If a person is not present while opening an account, a bank may open an account on a basis of document(s) verified by a relevant domestic or foreign agency. For non-residents a diplomatic-consular office of the state of citizenship of the individual or for Croatian citizens a diplomatic-consular office of the Republic of Croatia. The verification of the validity of a document should not be older than 6 months.

Legal Persons (Entities):

a) **Non-Residents**

(1) To open an account a non-resident (legal person, sales person, craftsman, or other physical person with an independent economic activity abroad and a branch of a trading company handling a business abroad) must submit the following documentation:

- An excerpt from the register in the country where the non-resident has a registered seat or if established in a country where no register exists, another valid document on the establishment of the legal entity, in accordance with the relevant regulations of the country where the non-resident has its seat, from which the legal form of the non-resident and the date of its foundation is evident. This document should not be older than 6 months and must be in an original copy together with an authenticated translation in the Croatian or English languages. Instead of the original document an authenticated copy of the document can be accepted.

- A list of signatures of persons authorised to dispose of the financial means attached to the account, signed by a legal representative of the non-resident legal entity and authenticated by a notary, foreign trade court, embassy of the non-resident's country, Embassy of the Republic of Croatia or a corresponding bank. If the legal representative of the non-resident legal entity has authorisation to dispose of financial means from the non-resident's account and if its signature has been deposited in the bank, its signature need not be authenticated by another administrative body.

- The last annual financial report on running a business in the domicile country or in a country where its business has been registered authorised by an auditor or national tax office. A non-resident who is doing business for less than a year submits a financial report for the specific period of time. If the non-resident is not obliged to make a financial report in the domicile country, he submits a document (an evidence) of taxes paid. Exceptionally, a non-resident may not obliged to submit a financial report by opening an escrow account.

2) Foreign diplomatic-consular missions and representatives of foreign legal entities in the Republic of Croatia while opening a non-resident account in a bank enclose an excerpt from the register maintained by the relevant authorities of the Republic of Croatia and a list of signatures of persons liable in the foreign representations.

3) Foreign associations, Foundations, Endowments and other foreign non-profitable organisations doing business on the territory of the Republic of Croatia enclose an excerpt from the register controlled by the relevant ministry in Croatia (Ministry of Justice and Ministry of Economy, Work and Entrepreneurship), and a list of signatures of persons authorised to dispose of financial means on the account.

4) Foreign religious communities to open a non-residential bank account must enclose a formal decision of registration in the register of religious communities maintained by the relevant ministry of the Republic of Croatia (Ministry of Justice), and a list of signatures of persons authorised to dispose of financial means on the account.

5) International missions to open a non-residential bank account must enclose a request for opening an account including the full name of the Mission and the title of the international agreement according to which the Mission operates. A letter from the headquarters of the international subject which approves the functioning of the Mission and decides on the person responsible of handling transactions on the non-resident account.

A non-resident operating on the territory of the Republic of Croatia can authorise a resident to dispose of financial means on his account, while he/she can authorise a non-resident to dispose of financial means on his account only if the latter is employed by the non-resident abroad or in his branch in the Republic of Croatia. A resident can make transactions on behalf and in benefit of the non-resident in accordance with the relevant regulations of foreign currency transactions. While doing so the authorised person can not accede the rights of the owner of the account.

b) Residents

To open a bank account a resident must submit the following documentation:

- A Decision on registration or excerpt from the court register, i.e. from the register of the relevant agency, if prescribed by law;

- A Document from the relevant agency on the resident's establishment if the resident is not obliged to register;

- An Excerpt from the law, or other regulation(s) if the resident has been established in accordance with a law or other regulation;

- Notice on classification in accordance with the national classification catalogue issued by the State Directorate of Statistics;

- Registration of persons authorised to dispose of financial means on the account. For delivering a payment order in a magnetic and electronic medium, a bank and a resident arrange together the modality of signing the order;

The resident can authorise another natural or legal person to dispose of financial means on its foreign currency account.

The right to dispose of the financial means from the foreign currency account can be transferred on the grounds of full-powers authorised by a domestic or foreign relevant agency, diplomatic-consular office or a bank to another natural or legal person.

Banks are required to retain for at least five years, starting from the end of the year in which changes have been registered, data on the owner's foreign currency and saving accounts as well as a written order of an authorised person for closing the foreign currency or savings account, documentation on which basis an account has been opened or closed and orders for payments and other documentation on which basis changes to accounts have been registered.

According to the amended Anti-Money Laundering Law, the beneficial ownership identification for natural or legal persons is prescribed, whilst opening all kinds of accounts and/or concluding long-term arrangements with financial institutions. As already explained in paragraph 1.2. the real owner must be identified (trading company, fund or association). Such data are kept within the financial institution for 5 years.

1.4. CTC would be pleased to know how money remittance/transfer services are registered and/or licensed within Croatia. What is the penalty for failing to register or obtain license?

The Croatian National Bank (CNB) in accordance with the Banking Law (Official Gazette No 84/02, further in text Law) issues to banks an operating license to provide banking and other financial services. Banking services include gaining money deposits and approving credit and other financial placing as well as issuing financial means through electronic money.

According to Article 4 of the Banking Law, services can be provided by:

- banks that have been granted operating licenses from the Croatian National Bank and
- Foreign bank branches that have been granted approval by the Croatian National Bank.

Articles 51-54 of the Banking Law prescribe the conditions for the establishment and work of a foreign bank branche.

Establishment and Dissolution of a Branch of a Foreign Bank

Article 52

(1) A foreign bank may establish a branch within the Republic of Croatia if it obtains an operating license for a branch of a foreign bank from the Croatian National Bank.

(2) The following shall be enclosed with a request for issuing an operating license of a branch of a foreign bank:

1. a certificate from the Register of Companies or any other appropriate public register of the country in which the head office of the parent bank is located, issued at most 30 days prior to the request;
2. the Articles of Association or other appropriate rules of the parent bank;
3. the information on the members of management and supervisory bodies of the parent bank ;
4. audited business reports of the parent bank for the last three years of operation;
5. a document which reliably identifies the owners and their participation in the management of the parent bank;
6. a certificate from the Register of Companies or other appropriate public register of the country in which the head office of juridical persons that participate in the management of the parent bank with a holding of more than 10 percent is located, issued at most 30 days prior to the request;
7. a description of banking services and other financial services the branch is to provide and the operating plan for the first three years of operation;
8. the authorization from the supervisory authority of the foreign bank for the establishment of a branch or a statement by that authority that no such authorization is required under the regulations of the country of the foreign bank;
9. a statement by the foreign bank that the branch will administer all the documentation relating to its operations in the Croatian language and will store it at the head office of the branch, as well as that it will compile financial statements in accordance with this Law or regulations issued on the basis thereof;
10. a detailed description of the deposit insurance scheme valid in the country in which the head office of the parent bank is located;
11. other documentation specified by the Croatian National Bank, on the basis of which it is possible to establish whether the branch, in terms of its personnel, technical equipment and organization, is capable of providing services to which the request for issuing an authorization refers.

(3) The Croatian National Bank may, as a condition for issuing an operating license of a branch of a foreign bank, require that the foreign bank deposits a specific monetary amount within the Republic of Croatia, or offers another appropriate collateral for the settlement of liabilities arising from arrangements concluded within the Republic of Croatia.

(4) The Croatian National Bank shall issue an operating license of a branch of a foreign bank if, on the basis of information available to it and documentation enclosed with the request for issuing an operating license, it concludes that the branch is, in terms of its finances, management, organization, personnel and technical equipment, capable of operating in accordance with the provisions of this Law.

(5) The Croatian National Bank shall refuse the request for issuing an operating license of a branch of a foreign bank if, in consideration of the regulations of the country in which the head office of the bank is located or in consideration of the practice of that country in the application of these regulations, it is likely that exercising supervision in accordance with the provisions of this Law will be hindered.

(6) The Croatian National Bank shall revoke an operating license of a branch of a foreign bank:

1. if the supervisory authority of a foreign bank has revoked the bank's authorization for the provision of banking services;
2. if in the case referred to in paragraph 3, Article 54 of this Law, the branch fails to meet its obligations deriving from the insurance of deposits;
3. if the branch fails to begin its operations within six months from the issuing of an operating license of a branch of a foreign bank;
4. if the operations of the branch are discontinued for more than six months;
5. if the branch was issued an authorization for the provision of banking services the basis of false information or if it fails to conduct its operations in accordance with the regulations of the Republic of Croatia;
6. if the branch is incapable of meeting its obligations.

In a case where services are provided without CNB license, sanctions are envisaged in Article 630 of the Law on Trading Companies, which prescribes misdemeanour liability for a legal entity and a liable person in the legal entity if the legal entity conducts business without the prescribed approval, licence or other act of a state body or institution, and if the legal entity conducts business which is not registered in the Trade Register. In case of providing other financial services without CNB approval a fine of 500.000 to 1.000.000 kuna is envisaged.

a) Domestic money transactions

Domestic money transactions can be performed by the Croatian National Bank (CNB), Banks and Mutual Loan Societies with a CNB approval (Article 4, section 1 Law on Domestic Money Transactions, Official Gazette No 117/01 and Article 10, section 3 Law on Mutual Loan Societies, Official Gazette No 84/02).

b) Money transactions abroad

Money transactions abroad can be performed by the CNB, Banks, which have CNB approval, and the Croatian Bank for Reconstruction and Development (Article 32 of the Foreign Exchange Act, Official Gazette No 96/03).

A trading company, which has been registered in the Court Register can conduct money remittance and transfer services. The activity of the trading company can be registered in the Trade Register only by previous approval of the CNB (Article 34 of the Law on Trading Companies, Official Gazette No 111/93, 34/99, 52/00 and 118/03).

According to the amended Anti-Money Laundering Law, which entered into force on 1 January 2004, and the Regulation on implementing the Anti-Money Laundering Law, the Anti-Money Laundering Department (the Croatian Financial Investigation Unit) in co-operation with reporting institutions has developed a set of indicators for detecting suspicious transactions in the financial and non-financial sector (see answer 1.5.). According to these indicators, special attention is being paid to loro and nostro money remittances, especially to those indicating on financing of terrorism.

1.5. Apart from measures mentioned in previous reports, has Croatia developed any special strategies or investigative tools to enable agencies such as Police, Customs, the Anti-Money Laundering Department and the Central Bank effectively to prevent resources from being transferred to terrorists (Investigative tools could include, for example, measures aimed at detecting the following kinds of money laundering: trade based, real estate based, over and under invoicing of imports and exports, alternative remittance systems such as hawala etc.).

The Anti-Money Laundering Department of the Ministry of Finance has developed special measures for analytical data processing related to the financing of terrorism. Special Internal Indicators define these measures for Designating Suspicious Transactions and by External Indicators, which have been distributed to financial institutions in order to detect such transactions in the financial and non-financial sector. These indicators have been developed according to the Eight (anti-terrorism) recommendations of the Financial Action Task Force (FATF). Besides standard transactions, special attention is given to the real estate market.

The Croatian Customs Service is responsible for the control of the trade of goods and for the foreign currency and passenger traffic, in line with current effective foreign currency and foreign trade regulations.

Croatian Customs Service officers on border check-points are obliged to send reports to the Anti Money Laundering Department for any money transfer that is larger than prescribed by the Anti-Money Laundering Law. On the basis of such reports the Anti Money Laundering Department conducts further analytical processing and if a suspicion on money-laundering or terrorism financing exists, informs competent state agencies (State Attorney, Ministry of Internal Affairs, Inspectorate at the Ministry of Finance) accordingly for further conduct.

In a case when a money transfer has not been reported to the border Customs Service, an immediate request is sent to the Foreign Exchange Inspectorate for setting into motion the procedure for determining whether a foreign currency infringement has been committed.

For imports and exports the Customs Service conducts what is called the customs procedure for the evaluation of the declared value. The value of goods and services connected to goods can also be controlled through a "subsequent control", or the auditioning of financial records of importers and exporters. In cases when a declared value is dubious, the possibility of determining its true value exists through international administrative co-operation in the country from which the goods are being imported or to which the goods are being exported.

In a case where such suspicion of false declaration of the customs value is found reasonable, and depending on the character of the determined fraud, adequate measures of the competent government bodies are then set into motion.

1.6. As regards the freezing of funds, assets etc. as required by Sub-paragraph 1(c) of the Resolution, could Croatia indicate the procedures which it has in place to freeze terrorist funds held by people or entities which are not mentioned in any UN sanctions list? Is there a legal limit to the period of time for which the funds and assets of suspected terrorists can be frozen? Has any Court of Law in Croatia ruled on this last point and, if so, with what results?

The Croatian judiciary does not encounter problems in freezing terrorist funds of persons/entities listed on the SC lists. The Croatian judiciary may encounter some problems when issuing an order for freezing a suspected fund if its owner has not been listed on the SC list, but on a list issued by a state or a group of states. If there is not enough evidence to support the claim that certain assets may be used for financing terrorist activities, Croatian courts will have difficulty in freezing such funds.

In accordance with the Anti-Money Laundering Law and the Law on Criminal Procedure, the Anti-Money Laundering Department (AMLD) in co-operation with the Ministry of Foreign Affairs, the State Attorney and the courts has established the following procedure for freezing terrorist funds:

When a suspected terrorist fund has been detected, the AMLD can postpone a suspicious transaction up to a maximum of 72 hours and informs the State Attorney's Office accordingly. The State Attorney collects all relevant information and delivers it to the competent court. The court considers a particular case and, where required, issues an order to freeze the suspicious fund for a specific time period.

By this procedure, to date, suspected terrorist funds on four accounts have been frozen in Croatia until further notice. These funds are relicts from the war-period in Croatia. They belong to different terrorist organisations that were registered in Croatia as humanitarian organisations. Since 1995 no similar "humanitarian organisation" or associated activities have been registered in Croatia.

Croatia would highly appreciate if the CTC could issue a set of guidelines for such cases, and if Croatian could be provided experience of other states in this matter (answers to this question).

1.7. The effective implementation of Sub-paragraph 1(d) requires States to take adequate and appropriate measures to prevent the resources of charities and other associations from being diverted to terrorist purposes. In this regard, could Croatia indicate what measures it has in place to register, audit and monitor the activities of these charities and other associations in Croatia. The reply, set out at page 3 of the third report, would seem to apply only to foreign non-profit organisations?

Registration

According to the Law on Associations (*Official Gazette* 88/01 of 5 October 2001) any association (domestic or foreign) which operates on the territory of the Republic of Croatia must be registered at the state agency responsible for public administration.

According to Article 15 of the Law the registration process for **domestic associations** requests the submission of the following documentation:

- Request for registration into the Register of Domestic Associations;
- Record on the work and decisions of the Association's Assembly;
- Decision on the initiation of the registration procedure into the Register of Associations;
- Statute of the Association;
- List of the Association's Founders;
- List of persons authorised to represent the Association;
- Excerpt from the Court Register or other register for legal entity;
- Approval of the authorised state agency, when prescribed by law;
- Copy of the personal ID's of the Association's Founder(s) and persons authorised to represent the Association.

According to Article 20 of the Law the registration process for **foreign associations** requests the submission of the following documentation:

- Request for registration into the Register of Foreign Associations;
- Excerpt from the Register in the country where the Foreign Association has its seat, not older than 6 months. From the excerpt the registered activities of the Association and the names of the persons authorised to represent the Association must be visible;
- Decision on the Establishment of the Foreign Association verified by a Public Notary in cases where registration into the Court Register is not prescribed by the law of the country where the Association has its seat;
- Decision on the nomination of the person authorised to represent the Foreign Association in Croatia;
- Verified translation into the Croatian language of the Association's Statute or other act which notes registered activities of the Association;

- Verified translation into the Croatian language of the above mentioned documents;
- Copy of the ID of the person authorised to represent the Foreign Association in Croatia;
- Other evidence if prescribed by a special law.

Monitoring

According to Article 26 and 27 of the Law, a state administrator from the state agency responsible for public administration is authorised to conduct the administrative supervision of the work of any association (domestic or foreign). The local officer of the state administration is authorised to conduct the filed supervision. If the local officer determines any irregularities in the work of the Association not compliant with the Law he can charge the Association with a misdemeanour.

Prohibition

According to Article 35 of the Law the work of an association shall be prohibited if it:

- seriously jeopardises the fundamental democratic and constitutional order, independence and territorial integrity of the Republic of Croatia;
- is contrary the Constitution or laws of the Republic of Croatia;
- is contrary to the activities determined in the Statute of the association;
- is necessary for the protection of human rights and freedom;
- is necessary for the protection of health and public moral conduct.

If the Police is given information that an association deals with terrorist activities, the Police can start a criminal investigation and informs the State Attorney accordingly.

1.8. Paragraph 2 of the Resolution requests States to ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts or in supporting terrorist acts is brought to justice. In that regard, the CTC would be pleased to receive a progress report on the enactment of the new Bill of Amendments to the Croatian Criminal Code, which it is hoped will bring Croatia into compliance with the Resolution.

The Inter-Agency Working Group for the Implementation of the R-1373 (2001), IWG, initiated the following amendments to the Criminal Code (adopted by the Parliament on 9 July 2003):

- a comprehensive **definition** of terrorism has been proposed. The amendments relate to the incrimination of the threat to commit a terrorist act, and comprise all actions that can be qualified as terrorist actions in conformity with the EU Council Framework Decision of 13 June 2002.

Article 169 (International Terrorism):

"1. Whoever aims to cause major fear among the population, to force foreign states or international organizations to do or not do something or suffer, or who aims to seriously jeopardize the fundamental constitutional, political or economic values of a foreign state or an international organization, who commits a criminal offense referred to in Articles 170 through 172, and Articles 179 and 181 of this Code, who causes an explosion or fire, or by a generally perilous act or means creates a dangerous situation for people or property, who kidnaps a person or commits another violent act which can seriously harm a foreign state or an international organization shall be punished by imprisonment for not less than three years.

2. Whoever seriously threatens to commit a criminal offense referred to in paragraph 1 of this Article shall be punished by imprisonment for one to five years.

3. If, by the criminal offense referred to in paragraph 1 of this Article, the death of one or more persons is caused, the perpetrator shall be punished by imprisonment for not less than ten years or by long-term imprisonment.

4. If, by the criminal offense referred to in paragraph 1 of this Article, the death of one or more persons or large-scale destruction is caused, the perpetrator shall be punished by imprisonment for not less than five years.

5. In order to initiate criminal proceedings for the criminal offense referred to in this Article, an approval from the State Attorney of the Republic of Croatia is required."

- the penalty for committing a terrorist act has been increased (to a maximum of life-long imprisonment, Article 169);

- **preparatory activities** for committing a terrorist act (sentence from 1 to 8 years) and **subsequent assistance** (sentence from six months to three years) have been criminalised.

Article 187.a (Preparing criminal acts)

Whoever procures or prepares means for, removes obstacles to, collects or provides monetary or other financial means, makes plans or arrangements with another, or takes other action to create conditions for direct performance of criminal acts under articles 156 through 160, 169 through 172, 179 and 181 of this law, shall be sentenced to imprisonment of one to eight years.

Article 187.b (Subsequent assistance to the perpetrator of a criminal act)

(1) Whoever conceals the perpetrator of a criminal act under articles 156 through 160, 169 through 172, 179 or 181, or provides him with food, clothing, money or takes care of him in another way in order to make his detection or arrest difficult, shall be sentenced to imprisonment of six months to three years."

Due to procedural (not substantial) reasons, the Constitutional Court of the Republic of Croatia has decided to put the Criminal Code temporarily out of force. It is expected that the above cited amendments to the Criminal Code shall remain unchanged.

1.9. Sub-paragraph 2(a) requests States to suppress recruitment to terrorist groups. Croatia in its first report (at page 16), describes Article 333, paragraph 2(a) of the Croatian Criminal Code as an article which deals with criminal conspiracies. Croatia further states that the article in question addresses the requirements of the sub-paragraph. In that regard, does Croatia intend introducing specific legislation criminalising recruitment to terrorist groups? Could Croatia explain what measures are currently being taken to suppress this kind of recruitment?

Croatia does not intend to introduce specific legislation criminalising recruitment to terrorist groups since recruitment to a criminal organisation has already been criminalised by the Criminal Code and the Law on the Office for Combating Corruption and Organised Crime (*Official Gazette* 88/01).

According to Article 333 of the Criminal Code, an individual can be punished for being a member of an established terrorist organisation. The sentence ranges from three months to three years imprisonment.

Up to date there has been no recruiting to a terrorist organisation registered in Croatia. The Police gather information about all sorts of criminal activities using preventive measures, regular and ad hoc activities in co-operation with other agencies (Intelligence).

1.10. Sub-paragraph 2 (c) of the Resolution requires States to deny safe haven to those who finance, plan, support, or commit terrorist acts, or provide safe haven. In that regard, the CTC would be pleased to receive a progress report on the proposed Asylum Act and an explanation as to how Croatia intends complying with the Resolution.

For the first time ever, the Croatian Parliament adopted on 12 June 2003 the Asylum Act. It will enter into force on **1 July 2004**. The IWG drafted Article 5, section 4 of the Asylum Act in order to comply with relevant provisions of R-1373 regarding the right to asylum.

Article 5, section 4 stipulates that:

"A foreigner shall not be granted the right of asylum if data shows that the individual in question has participated in planning, financing, organising or in any other way has assisted in committing a terrorist act or in providing a safe haven to terrorists."

Croatia holds that the stated provision of the Asylum Act and its full implementation shall bring Croatian into full compliance with R-1373 (2001).

1.11. Implementation of Sub-paragraph 2(e) of the Resolution requires States to ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts is brought to justice. The CTC would be grateful for an outline of any specific training which Croatia may have developed for its administrative, investigative, prosecutorial and judicial authorities in this regard.

Croatian State Agencies have organised independently or in co-operation with members of the Anti-terrorism Coalition and international organisations (UN, OESS, NATO) various trainings on the suppression of terrorism.

On 22 and 23 September 2003 in co-ordination with the UN Office on Drugs and Crime in Vienna, Croatia organised a Workshop on the ratification and implementation of International Legal Instruments against Terrorism. Participants to this workshop were state attorneys, judges, prosecutors, representatives from the Ministry of Justice, Ministry of Foreign Affairs, Ministry of Internal Affairs, Ministry of Defence and Ministry of Transport.

The Diplomatic Academy at the Ministry of the Republic of Croatia organises regular lectures on the suppression of terrorism for administrative authorities from various state agencies.

At the Ministry of Internal Affairs police officers are trained through different forms, by organising seminars and courses independently or in co-operation with the Police Academy, using their own knowledge and staff as well as subcontractors – scientists and experts.

Recently, emphasis was given to the course "Police investigation of criminal acts caused with explosive devices", which is repeated every year and is assigned for police officers who are fighting against terrorism. Apart from that, staff are trained through courses and seminars on terrorism, organised by foreign countries. For example, "Major Case Management" course was held at the FBI Academy in USA, from 11-25 August 2001, organised by the Department of State – DS/ATA (Diplomatic Security Service – Anti-Terrorism Assistance Programme).

The Ministry of Justice established (in the framework of the ministry) a special Centre for the professional upgrading of judges and other judicial functionaries through all kinds of education and professional streamlining in new legislative regulations and actual problems which include all sorts of terrorism and ways of fighting against terrorism.

Financed through the CARDS programme 2002-2003 the Republic of Croatia implements projects regarding anti-terrorism capacity building of the state administration. For example, one project deals with capacity-building of the criminal intelligence system of the Ministry of Internal Affairs, and another with capacity building of the prosecutorial authorities at the State Attorney's Office.

Croatian state attorneys have attended trainings on the suppression of terrorism and non-proliferation of weapons of mass destruction organised by the US Department of Justice.

A Task Force Model consisting of Military Intelligence teams and Border Police field teams participated in an international-bilateral maritime exercise in the Croatian Adriatic (SEARCHEX).

1.12. In relation to the period 1 January 2001-31 December 2002, could Croatia supply the CTC with the following information:

a) the number of arrests of terrorists or their supporters;

b) the value of funds and assets frozen in relation to persons and entities identified by the Security Council, other international organisations, Croatia and other States.

a) Until today no terrorist has been arrested on the territory of the Republic of Croatia;

b) The saldo on the four accounts that have been frozen amounts to approximately 200.000,00 USD.

1.13. Sub-paragraph 2(f) decides that States shall afford one another the greatest measure of assistance in connection with criminal investigations and criminal proceedings relating to the financing of terrorism and the provision of support for terrorist acts. In this regard, the CTC would be pleased to receive an outline and a progress report on The Law on International Legal Assistance and Implementation of International Treaties in Criminal Matters currently being drafted and cited at page 20 of the first report and page six of the third report.

The Republic of Croatia has ratified many of the relevant European and UN conventions on terrorism and organised crime, in which a set of obligations for providing the maximum possible assistance in matters regarding terrorism already exists. To date, no situation in practice existed when Croatia had not been able to give international legal assistance.

For the Republic of Croatia the provisions of the UN Convention against Transnational Organized Crime (UNTOCC) and its Protocols and the European Convention on International Legal Assistance in criminal matters and its Additional Protocol are the bases for providing international legal assistance.

Still, in cases when other States are not Parties to European or to any of the UN conventions regarding the fight against terrorism, the Republic of Croatia finds that special bilateral agreements which contain necessary postulates of the prior mentioned international legal instruments are a suitable option for arranging international legal assistance. In this regard, the Republic of Croatia has already signed 24 such bilateral agreements and is planning to double this figure in near future.
The Law on International Legal Assistance is in a drafting procedure within the Ministry of Justice.

Effectiveness of Customs, Immigration and Border Controls

1.14. Sub-paragraph 2(g) of the Resolution requests States to establish effective border controls. In that regard, the CTC would be pleased to know how the different agencies, entrusted with ensuring the security of Croatia's borders, co-ordinate the work which they undertake in relation to the possible movement by terrorists of funds, arms, ammunition, explosives, chemical, biological and nuclear materials.

According to the current legislation, in the Republic of Croatia, the Ministry of Internal Affairs (Border Police) and Customs are responsible for border control, and in case of any operational support given by Croatian Armed Forces (MoD), a command line of joint forces must be arranged in compliance with legislation.

According to the Law on Police the Croatian police is in charge of the border line. On border crossings, the police, in co-operation with customs and other authorised bodies, is required to check on people and luggage.

As one of the Government's offices which directly conducts border control, the Customs Service co-ordinates its work with border and crime police. In all cases when border control bodies discover irregularities regarding non-registration of goods, especially high-risk goods and items which are banned or specially regulated, the crime police is immediately contacted so that adequate measures for inquest of the possible committed crime can be undertaken. When a potentially life- or environmentally - dangerous tem is found, Border Sanitary Inspection and other competent institutions are also immediately contacted.

In compliance with the Croatian National Security Strategy, as well as with Croatian Defence Strategy, during 2003, the Croatian National Command Authority requested integration of all national security capabilities in the fight against international terrorism and organised crime activities that support it. Currently, the Ministry of Defense is integrating the maritime and airspace surveillance system while developing capabilities that will enable real-time surveillance data to be used by other state agencies and security organisations. Coordinative meetings between the Border Police (Maritime Division) and Croatian Navy officials take place on a weekly basis. Croatian Border Police and Military Security (Intelligence) Agency initiated the development of the common co-operation concept on border security monitoring and operations. The agreement on co-operation is achieved on the level of the Croatian Police Director and Military Security Agency Director (MoD). A Task Force Model has been created in order to provide Military Intelligence teams and system support to the

Border Police field teams. This Task Force was tried out during an international-bilateral maritime exercise in the Croatian Adriatic (SEARCHEX).

1.15 Could Croatia provide, in response to Sub-paragraph 2(g), an outline of the methods that it uses to process imports and exports as well as the steps which it takes to target for inspection or interdiction high risk cargo which may be used to commit or finance terrorist acts.

Regarding import and export and/or entry and exit of goods the Customs Service of the Republic of Croatia applies the regulations of the Decree on Designation of Goods that can be Imported or Exported on the Basis of Licenses (Official Gazette of the Republic of Croatia No 67/03, 83/03 and 121/03), and also provisions of the Trade Act (Official Gazette No 49/03 – amended, 96/03, 103/03 and 170/03), the Act on the Control of State Border, the Act on the Transportation of Dangerous Substances, the Law on Arms etc.

According to the Decree on Designation of Goods that can be Imported or Exported on the Basis of Licenses, licenses for import of arms and military equipment, including explosives and other dangerous substances, intended for the Croatian Army and Police are issued by the Ministry of Defence (MoD) and the Ministry of Internal Affairs (MIA), licenses for the export and import of arms and military material for commercial purposes are issued by the Ministry of Economy (MoE), conditioned on the prior approval of the Special Panel (which is composed of representatives of MoD, MIA, MFA and MoE).

According to the above mentioned conditions no arms, explosives, dangerous substances and/or other risk materials can enter or exit and/or be imported or exported in or out of the area under the jurisdiction of the Republic of Croatia without adequate licenses and approvals. In the case of transport of such materials without appropriate licenses, the Customs Service stops further action and retains it under its control, and thereafter reports the incident to the competent Government bodies for further measures related to misdemeanour and/or criminal offences.

1.16. In regard to Sub-Paragraph 2 (g), the CTC would be grateful for an outline of any procedures which Croatia has established to supply advance information concerning international cargo and passenger information to its relevant authorities and to the authorities of other States so as to enable them to screen for prohibited cargo and suspected terrorists before disembarkation.

The Customs Service has developed a system of international customs co-operation with customs services in a number of other countries, especially neighbouring countries. Such bilateral agreements have opened the possibility and defined procedure for the exchange of all relevant information and also for strengthened control (regarding the transport of all kinds of goods, especially high risk goods, banned substances and materials and goods that are under special surveillance during transport). At this time, a system of regular reporting of future planned shipments of goods is not in function, and

therefore information is still being collected on the basis of ad hoc co-operation between Police and Customs Services.

As a member of Interpol the Republic of Croatia has the obligation to submit and receive figures about all security activities. The Republic of Croatia has signed bilateral contracts with 24 countries regarding co-operation in the fight against international terrorism and other forms of crime. Signing of another 22 similar bilateral contracts is at the moment in preparation.

1.17. Also as regards Sub-Paragraph 2 (g), could Croatia provide the CTC with an outline of the legislative provisions regarding the granting of citizenship and other civic rights in Croatia? Can a foreigner, who is granted citizenship or other civic rights in Croatia, change his or her name? What precautions are taken in Croatia to establish the true identity of a person before new identity papers are issued?

The granting of citizenship and other civic rights is regulated through the Law on Croatian Citizenship (*Official Gazzette 53/91*). According to Article 3 of the Law on Croatian Citizenship, Croatian citizenship can be granted in four ways:

-- by decent or ancestry;
-- by birth on the territory of Croatia;
-- through naturalisation;
-- through international agreements.

The procedure for granting Croatian citizenship is described in detail in the *Law on General Administrative Procedure* (*Official Gazzette* 53/91).

The procedure for establishing the true identity of a person before issuing identity papers is regulated by the Law on Issuing Identity Card(s) (*Official Gazzette* 11/02 and 122/02) and the Law on Issuing Passport(s) (*Official Gazzette* 77/99 and 133/02).

Before issuing identity papers to a foreigner, s/he needs to be granted Croatian citizenship. Thereafter, the identity of the person is confirmed through checking identification documents issued by the country where the foreigner comes from or by the country whose citizenship the person is giving up. Also, before issuing identity papers, the relevant Croatian authorities can through international legal assistance request from the country where the foreigner comes from verification of identity.

If there is any doubt that identification documents have been forged, the relevant Croatian authorities can ask for expert evaluation of the mentioned documents.

If there is any suspicion in the credibility of identification papers, the issuing of new identification documents is cancelled and a police investigation begins.

1.18. The effective implementation of Sub-paragraph 2(a) of the Resolution requires States to eliminate the supply of weapons to terrorists. As regards this requirement, could Croatia provide the CTC with a progress report and an outline of the relevant provisions of the Draft Law on Production, Overhaul and Trade of Weapons and Military Equipment which deals with the prevention of the supply of weapons to terrorists? Could Croatia please apprise the CTC of its intentions regarding the ratification and implementation of the UN Protocol Against the Illicit Manufacture of and Trafficking in Firearms, their Parts, Components and Ammunition and how it proposes to implement the provisions of the Convention?

The Law on Production, Transportation and Overhaul of Armament and Military Equipment (Official Gazette Vol. 33, No 2, 2003) was adopted by the Parliament in 2003. The Law states that:

- No production of Armament and Military Equipment (AME) will commence without the approval compliant to the Article 5, Para. 2 of the Law.
- The approval will be issued only if the buyer is known and has already presented a valid national import license and a valid end user certificate.
- A separate panel consisting of representatives of the Ministry of Economy, Ministry of Defence, Ministry of Internal Affairs and Ministry of Foreign Affairs issues licenses for export of AME.
- Once the license has been issued, the Croatian Customs Service conducts export operations.
- According to Article 1. Para. 3 of the Law on Production, Transportation and Overhaul of Armament and Military Equipment, all AME imports and exports are recorded in the Integral Data Base, which is maintained by a Government agency. The Data Base record includes: kind, quantity, country of origin, end user country, possible intermediate location of temporary AME storing/handling, data about the end user and declarations of the end user (EUC) of exported-imported AME.

The UN Protocol against the Illicit Manufacture of and Trafficking in Firearms, their Parts, Components and Ammunition is in the ratification procedure.

1.19. With regard to the effective implementation of Sub-paragraph 2 (a) of the Resolution as well as the provisions of the Convention on the Marking of Plastic Explosives for the purpose of Detection and the International Convention for the Suppression of Terrorist Bombings please provide the CTC with information relevant to the following questions:

A) Legislation, regulations, administrative procedures:
What national measures exist to prevent the manufacture, stockpiling, transfer and possession of unmarked or inadequately marked:
. small and light weapons;
. other firearms, their parts and components and ammunition;

. plastic explosives,
. other explosives and their precursors?

The Law regulates the following: the planning as well as the production and development for arms and military equipment; criteria for the determination and use of capacities for producing and refitting arms and military equipment; trade in arms and military equipment; safety and protection of methods of producing and refitting arms and military equipment; confirming that the relevant regulations on arms and military equipment have been adhered to; and the production and refitting of arms and military equipment in time of war or in situations of clear and present danger to the independence and sovereignty of the Republic of Croatia. The Law also recognises patents for inventions that can be of interest for defence purposes.

The producers of arms and military equipment in the Republic of Croatia will also need to abide by the regulations contained in the **Decree on Conditions and Criteria That Must be Fulfilled by Producers of Arms and Military Equipment** (*Uredba o uvjetima i kriterijima koje moraju ispunjavati proizvođači naoružanja i vojne opreme*). This Decree is based on Article 6, paragraph 3 of the Law on the Production, Overhaul and Trade in Arms and Military Equipment. The Decree outlines the conditions and criteria which producers of arms and military equipment must fulfil, in line with the Law on the Production, Refitting and Trade in Arms and Military Equipment, in the production of arms and military equipment.

Moreover, the Regulation on Special Conditions for Defence Equipment Development (Official Gazette 67/2003) is also in effect. Article 17 of the Regulation states that one of the primary conditions for the development of defence equipment is the application of safety and protective measures. In the event that a private contractor or organisation fails to meet the criteria outlined in this Regulation, further work can be halted (Article 12).

B) Export control:
- Please specify procedures of export control and existing mechanism of exchange of information of sources, routs and methods of traders in arms.
- Is it necessary to lodge and register or check of the Goods declaration and supporting documents relating to firearms prior to the import, export or transit movement of the goods as well as encourage importers, exporters or third parties to provide information to Customs prior to their shipment? Please outline also any appropriate mechanism to verify the authenticity of licensing or authorization documents for the import, export or transit movements of firearms.
- Has Croatia's Custom Service implemented intelligence-based risk management on borders to identify high-risk goods? Please outline data elements required by Customs Administrations to identify high risk consignment prior to shipment.

The import and export or arms and military equipment in the Republic of Croatia is regulated by the **Decree on Goods Subject to Import and Export Licensing** (Official Gazette 67/03). The Decree specifies, along with their accompanying Customs Tariff, those goods that are subject to export and import licensing, including arms and military equipment.

Article 4 (paragraphs ii, iii, iv and v) of the Decree states:

"Import licences for armament and military equipment intended for the Croatian Army and the police shall be issued by the Ministry of Defence and the Ministry of Internal Affairs respectively".

"Export and import licences covering weaponry for commercial purposes shall be issued by the Ministry of the Economy, subject to previous approval by the Commission consisting of representatives from the Ministry of Defence, the Ministry of Internal Affairs, the Ministry of Foreign Affairs and the Ministry of the Economy".

In issuing licenses for the import or export of arms and military equipment, each member of the Licensing Authority for Import and Export Control of Weapons for Commercial Purposes is authorised to give an opinion so that:

- the representative of the Ministry of Defense is responsible for determining whether or not the goods in question are military in nature and if these goods, as such, can be used for military or civilian purposes. This can be determined using the specifications submitted by the parties involved, and from the name and type of goods.

- the representative of the Ministry of Interior Affairs is responsible for controlling the type and the purpose, as well as the amount of the goods in question, and for controlling the enclosed specifications and contracts.

- the representative of the Ministry of Foreign Affairs is responsible for ensuring that the process of approving a request does not bring Croatia's security into danger, as well as ensuring that the request does not violate international legal obligations (e.g. Security Council sanctions regime) that Croatia has undertaken to uphold.

- the representative of the Ministry of the Economy gathers formal requests submitted by parties interested in importing and exporting weapons; contacts those parties and gives them instructions relating to their requests; calls the National Licensing Authority to meeting; takes Minutes of the Authority's meetings that determine when the meeting took place, how many requests have been received, how many requests have been approved, and why certain requests were not approved; and ensures that requests follow legal requirements.

The Authority does NOT consider the following requests:

- if the form MG-TI/MG/TU of the *Decree on Goods Subject to Import and Export Licensing* is not filled out correctly;
- if all necessary specifications, formulated by the Authority, are not enclosed in the request;
- if all necessary documents (the order, the contract, the proposal, the bill etc.) are not enclosed;
- if the original "end user certificate" and a copy of the import license are not enclosed;
- if the "end user certificate" and the copy of the import license, issued in a foreign language, had not been translated into Croatian by an official court interpreter;

- if a certificate confirming the payment of administrative tax is not enclosed.

The Authority regularly meets twice a month (every 15 days), although if the situation requires it can meet more often. The minutes of every meeting have to be approved and signed by all members of the Authority at the next meeting, which are then archived in the Ministry of Economy. If even one member of the Authority does not give his/her consent for issuing a license, the request cannot be accepted/approved.

For the import or export of small and light weapons, the Customs service of Croatia requires the filling out of the form "Single Administrative Document" (Customs Declaration). This requirement is regulated by the Rules of Procedure Concerning the Usage of the Single Administrative Document in the Customs Clearance Process (Pravilnik o obrascima za provedbu Carinskog zakona – Official Gazette 147/1999). With regard to the import or export of SALW, the Single Administrative Document would be filled out containing data on the nomenclature of the goods regarding the Customs Tariff and the usual commercial name of the goods.

Moreover, on 9 May 2002 the Government of the Republic of Croatia adopted a Decision whereby it agreed to accept the principles contained in the European Union Code of Conduct for Arms Exports, adopted on 8 June 1998. Paragraph 2 of the aforementioned Decision states "The Announcement in paragraph 1 of this Decision states: 'The Republic of Croatia announces that it shares the objectives contained in the European Union Code of Conduct for Arms Exports, formally adopted by the European Union on 8 June 1998, and that it shall follow the criteria and principles contained in the Code, which shall guide it in its arms control export policies'."

C) Brokering:

- Do legal provisions in place provide for share the information on import and export licenses or authorization, or accompanying documents, of names and locations of brokers involved in the transaction, with foreign counterparts to enable cooperation in preventing illegal shipments of firearms, their parts and components and ammunition as well as explosives and their precursors?

In the Republic of Croatia there is no legislation regulating the institute of brokering.

D) Stockpile management and security:

- Has Croatia implemented, using risk assessment principles, any special security measures on the import, export and transit movement of firearms, such as conducting security checks on the temporary storage, warehouses and means of transport carrying firearms, and requiring parsons involved in these operations to undergo security vetting? If yes, please give details.

Croatia's Armed Forces and the Ministry's of Internal Affairs weapons and ammunition are stored and kept in accordance with Regulations and instructions developed by the Armed Forces General Staff and Ministry of Internal Affairs, respectively. According to these regulations, inventory is controlled

monthly, and one detailed inventory is undertaken every year. Technical inspection of ammunition is conducted annually on a required percentage for different types of ammunition.

E) Law enforcement / illegal trafficking:
- What special measures are used by Croatia to prevent and suppress illegal trafficking in firearms, ammunitions, explosives, utilized by terrorists?

Regulations and control of the transfer (export, import) of firearms, explosives and ammunition have already been mentioned in paragraph 1.15. We have stressed that during the import, export and transit of firearms, apart from all the adequate documents and licences, a customs declaration is also obligatory.

Moreover, the Croatian customs service is preparing to implement a risk analysis system in custom procedures, which is still being developed. This risk analysis system will use information from customs databases to help analyse and identify high-risk cargoes, and shall be the basis for implementing customs checks and controls on these cargoes. The exchange of all relevant information about transporting high-risk goods with other countries is regulated and prescribed with existing international and bilateral contracts.

Before stated goods can be exported, the customs service requires the submission of a comprehensive customs declaration, which contains data about the shipment, characteristics of the shipment, means of transport, packing, information about the importer and exporter and parity of shipment. Transport documentation must contain information on the planned route of the shipment and the final destination abroad.